

Message Text

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21

ACTION EA-09

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FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC 7123

INFO AMEMBASSY BANGKOK

AMEMBASSY PARIS

AMCONSUL HONG KONG

CINCPAC

C O N F I D E N T I A L VIENTIANE 2424

CINCPAC FOR POLAD

E.O. 11652: GDS

TAGS: EFIN EIND AFIN ALOW LA

SUBJECT: VIENTIANE: ONE WEEK AFTER THE BLACK MARKET CRACKDOWN

REF A VIENTIANE 2350, B VIENTIANE 2174

1. AN INDIAN MERCHANT WHO ATTENDED SEMINARS CALLED ON SEPTEMBER 28 AND OCTOBER 3 FOR THE INDIAN, CHINESE AND VIETNAMESE MERCHANT COMMUNITIES TOLD EMBASSY OFFICER THAT THE GOVERNMENT INFORMED WHOLESALERS THAT THEY MUST SELL ALL OF THEIR STOCKS TO THE GOVERNMENT. LATER MERCHANTS WOULD HAVE THE OPPORTUNITY TO BUY THEIR STOCKS BACK FROM THE GOVERNMENT BUT MUST THEN SELL TO THE PUBLIC FOR ONLY FIVE PERCENT ABOVE THE PURCHASE PRICE. FEW WHOLESALERS EXPECT TO GET THE FULL VALUE OF THEIR STOCKS FROM THE GOVERNMENT. ACCORDING TO THE INDIAN MERCHANT, MOST IMPORTERS REPORTED ONLY 25 PERCENT OF THE TRUE VALUE OF INCOMING GOODS TO CUSTOMS OFFICIALS IN ORDER TO AVOID THE FULL IMPORT TAX. NOW THE IMPORTERS FEAR THAT THE GOVERNMENT WILL USE THE CUSTOMS REPORT TO CALCULATE REIMBURSEMENT PRICES. LPDR AUTHORITIES HAVE NOT YET ANNOUNCED WHAT THE REIMBURSEMENT PRICES WILL BE
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FOR THE MERCHANTS' STOCKS.

2. THE OCTOBER 3 SEMINAR ALSO EXPLAINED AN ECONOMIC ORDER ISSUED ON SEPTEMBER 18 BY DEPUTY PRIME MINISTER AND MINISTER OF FINANCE NOUHAK PHOUMSAVANH. THE ORDER WAS ONLY MADE PUBLIC IN THE LAO INFORMATION DAILY BULLETIN ON OCTOBER 2. THE ORDER PROHIBITED HOARDING AND SELLING GOODS ABOVE GOVERNMENT SET PRICES. FURTHERMORE, IT CALLED FOR CITIZEN ARRESTS OF MERCHANTS OBSERVED VIOLATING THESE REGULATIONS.

3. EMBASSY MARKET SURVEY OF OCTOBER 4 INDICATED THAT THE SEPTEMBER 27 BLACK MARKET CRACKDOWN HAS HAD LITTLE CLEAR IMPACT ON THE LOCAL FOOD MARKET. ALTHOUGH PRICES OF CERTAIN FOODS ROSE CONSIDERABLY DURING THE MONTH OF SEPTEMBER, THESE PRICE TRENDS SEEM UNRELATED TO THE NEW IMPORT REGULATIONS. THE PRICE OF PORK ROSE FROM 1000 KIP PER KILO SEPTEMBER 9 TO 1200 KIP OCTOBER 4. THE PRICE OF A CHICKEN INCREASED FROM 1200 KIP SEPTEMBER 9 TO 1500 KIP OCTOBER 4. THE PRICE OF A DUCK ROSE FROM 1000 KIP SEPTEMBER 9 TO 1500 KIP OCTOBER 4. THE PRICE OF TEN EGGS ROSE FROM 750 KIP SEPTEMBER 9 TO 900 KIP OCTOBER 4. THE PRICES OF OTHER PRODUCTS SUCH AS SUGAR, RICE, BEEF AND BUFFALO MEAT, VEGETABLES AND MOST TYPES OF FISH REMAINED ABOUT THE SAME DURING THE MONTH OF SEPTEMBER.

4. EMBASSY MARKET SURVEY OF SEPTEMBER 24 REPORTED THAT CERTAIN CUTS OF MEAT (INTERNAL ORGANS USED IN THE POPULAR LAO DIS, LOP) WERE SOLD AT THE GOVERNMENT CONTROLLED PRICE OF 350 KIP PER KILO. THERE SEEMED TO BE AN ADEQUATE SUPPLY OF MEAT AT THE CONTROLLED PRICE TO MEET DEMAND. AFTER THE SEPTEMBER 27 EDITION OF LAO VERNACULAR NEWSPAPER "NEW VIENTIANE" REPORTED THAT MEAT WAS AVAILABLE AT CONTROLLED PRICES, HOWEVER, THERE WAS A RUN ON THE MEAT SUPPLY. EMBASSY LOCAL EMPLOYEE CONDUCTING OCTOBER 4 MARKET SURVEY REPORTED SEEING NEARLY 150 PEOPLE WAITING IN LINE TO BUY MEAT SOLD AT THE CONTROLLED PRICE. THE SUPPLY WAS SOON DEPLETED.

5. THE BLACK MARKET PRICE OF THE DOLLAR HAS CONTINUED TO CLIMB. AS REPORTED REF A, THE DOLLAR RATE ON SEPTEMBER 27 WAS 1400 KIP. BY OCTOBER 4 THE BLACK MARKET PRICE OF A DOLLAR WAS ABOUT 1500 KIP.

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